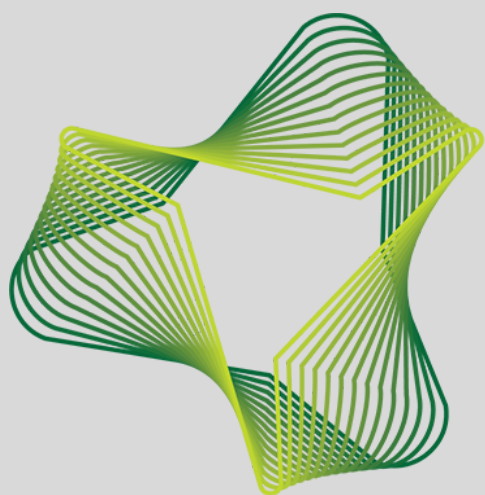


## NEW DEVELOPMENT BANK

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BRICS UPDATE



# New Development Bank



# NEW DEVELOPMENT BANK

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**The New Development Bank (NDB), formerly referred to as the BRICS Development Bank, is a multilateral development bank established by the BRICS states**

The New Development Bank is a multilateral development bank (MDB) created by the BRICS nations for financing infrastructural development projects and sustainable development projects in emerging economies and developing countries. It seeks to complement the work of the West-led finance institutions like IMF and World Bank.

The BRICS (Brazil, Russia, India, China, South Africa) nations signed the 'Agreement on the New Development Bank' on July 15th 2014 in Fortaleza, Brazil. The agreement came into force only in the 7th BRICS summit in July, 2015.

The bank has three main organs, which are the board of Governors which consists of finance ministers from each of the member nations, Board of Directors and Vice-Presidents and a President.

The headquarters of NDB is in Shanghai and the current director, K.V. Kamath, was appointed on the 11th May, 2015. The President of the bank is elected on a rotational basis from each of the member nations. There is supposed to be at least one Vice-President from each of the founding member nations. There is also a regional office in Johannesburg. The initial subscription capital is US \$50 Billion and initial authorized capital is US \$100 billion.

The initial subscribed capital was equally distributed amongst the founding member nations with the voting power being equal to the subscribed shares of each member nation has of the capital stock of the Bank. Though other countries are permitted to buy shares, the aggregate share of the founding member nations cannot be less than 55%.

The current distribution of power is 20% per member, but this may change if one country reduces its share of capital stock.

The functions of the Bank as per the agreement are-

1. To utilize resources to fund infrastructural and sustainable development projects, public or private, in BRICS and emerging economies through the provisions of loans, guarantees, equity participation and other financial instruments.
2. To co-operate with international finance institutions, national development banks, international organisations and national entities both public and private.
3. Providing technical assistance for preparation and implementation of the infrastructural and sustainable development needs of the emerging economies and developing nations.
4. To support infrastructure and sustainable development needs of more than one country.
5. To establish or be entrusted with the administration of Special Funds to serve its purpose.

A stated reason for the creation of such a bank is to provide enough funding for the development needs of the non-developed countries which does not receive enough support in the international financial market. Such a bank is supposed to be more equal in its treatment of members as opposed to the US dominated World Bank and IMF. This bank also proves that South-South co-operation has reached a landmark in its growth.

In February, the bank issued its first set of loans worth US \$811 million for projects supporting 2,370MW of renewable energy. The new lender has \$300 million to Brazil, \$81 million to China, \$250 million to India and \$180 million to South Africa. The 250 million to India will be given to Canara Bank of which US\$ 75 million will be earmarked for renewable energy ventures. The projects to India and China are regarding solar energy.

The NBD board has also announced that China is issuing 5-year bonds in Chinese Yuan since their bonds have AAA ratings making it easier for them to get cheaper loans.

On the 6th of May of this year, NDB signed an MoU with ICICI bank, the President's previous employer, making it the first Indian bank to be called a "preferred partner" in the exploration of opportunities in bond issuances, co-financing, treasury management and human resources. On the 20th of June, 2016, the President said that the Bank will be issuing their first debt issues which will be in the local currencies. It will be started with rouble-based funding due to the alleged claims of high demand.

He also stated that the coming four weeks would see them issuing a bond worth 3 billion Renminbi later followed by a similar bond in India of roughly the same amount.

According to his statement, NDB plans on loaning out US \$1.5 billion this year, rising to US \$2.5-3 billion in 2017 and US \$3.5 billion in 2018. The capital of US \$ 1 billion that it has in capital is set to double next year and reach US \$50 billion in the future.

#### Countries by Shareholding at the New Development Bank






Country	Number of Shares	Shareholding (% of Total)	Voting Rights (% of Total)	Authorised Capital (bln USD)
 Brazil	100,000	20	20	10
 Russia	100,000	20	20	10
 India	100,000	20	20	10
 China	100,000	20	20	10
 South Africa	100,000	20	20	10
<b>Unallocated Shares</b>	500,000	-	-	50
<b>Grand Total</b>	1,000,000	100	100	100

Image 1 : NDB Logo

Image 2 : BRICS India 2016 Official Logo

Image 3 : NDB Shareholding : Wikipedia



National Centre for Advocacy Studies (NCAS), set up in 1992, is a premier advocacy resource centre in South Asia. It is a proactive learning organisation that works towards participatory rights based and people-centered policy environment, a transparent and accountable governance and advancement of human rights. The core mandate of NCAS is to strengthen the capacity of marginalized people and social action groups to advocate on issues concerning their basic rights and social justice.

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